Newfoundland Labrador

# Department of Finance

# Government Money Purchase Pension Plan Committee

# Activity Plan

June, 2007

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## MESSAGE FROM THE MINISTER

As the Minister responsible for the Government Money Purchase Pension Plan (GMPP), I hereby submit the 2007 Activity Plan for the GMPP Committee. This activity plan was prepared under my direction, and I am accountable for the achievement of the objectives contained therein, pursuant to section 7 of the *Transparency and Accountability Act*.

A GMPP Committee has been overseeing the management of the GMPP since its inception in 1989. The GMPP is a capital accumulation plan where the level of benefits provided from the plan are dependent on the contributions and the income earned on those contributions during an employee's career. It is critical that participating employees become actively engaged in the management of their respective plan assets in order to ensure security in retirement.

In the preparation of this plan, the strategic directions of government were considered but were determined not to be applicable to the GMPP. However, prudent management of the pension plan by the GMPP Committee with a view to encouraging plan members to take an active role in their investment selection is consistent with the objectives of the Department of Finance to improve the operations of all pension plans sponsored by the Province.

**THOMAS W. MARSHALL, Q.C.**

Minister of Finance and Trustee
Newfoundland and Labrador Pooled Pension Fund

# Activity Plan

## 1.0 Overview

The Government Money Purchase Pension Plan (GMPP) was created under the *Government Money Purchase Pension Plan Act* on April 1, 1989. The GMPP was established to provide pension coverage for part time employees of Government and its agencies and full time employees of participating employers ineligible to participate in another government sponsored plan. The GMPP Committee was appointed by the Lieutenant Governor in Council to advise the Minister of Finance, as Trustee, on the administration of the plan.

The GMPP Committee has 11 members including representatives from government and the plans' stakeholders, including employee groups, with the Assistant Deputy Minister of Finance (Financial Planning and Benefits Administration) as the Chair. Responsibilities of the committee include the review of all the activities of the plan administrator, Canada Life; the development, review and implementation of investment policies; and the recommendations for the appointment of investment consultants, a custodian and investment managers as required.

## 2.0 Mandate

The GMPP Committee's mandate, as directed by MC97-0217R is to administer the GMPP, including the appointment of an administrator/custodian, setting investment policy and monitor plan performance.

## 3.0 Lines of Business – Administration of the GMPP

Ensure that contributions accumulated to the credit of the employee are invested prudently in the investment classes prescribed by the Committee and to promote the plan and educate employees on the importance of taking an active interest in their investments.

## 4.0 Values

Inclusion: Each member of the GMPP Committee acknowledges each others' views and perspectives and has the right/opportunity to express their own.

Independence: Each member, while representing the interests of diverse stakeholders, recognizes that the decisions of the GMPP Committee are in the best interests of all stakeholders.

## 5.0 Primary Clients and Stakeholders

The primary clients and stakeholders for the GMPP Committee are the employees who participate in the plan.

## 6.0 Vision

The vision of the GMPP Committee is to have all participating employees, using guidelines presented to them by the plan custodian, select an investment strategy suited to their retirement objectives with the ultimate goal to maximize the amount of pension funds available at retirement, but with a reasonable level of risk.

## 7.0 Mission

The mission statement identifies the priority focus areas of the GMPP Committee over the next two planning cycles. Consistent with its vision of engaging employees in the investment decision making process, the Committee's mission is to improve employee's participation in the investment selection process. Currently, less than 50% of employees make an active investment decision with respect to the funds they are contributing to the GMPP. Ideally, by 2011, the committee would like to see all members make an active decision with respect to their funds.

**Measure:** **Improved participation in seminars**
**More plan members making an investment choice**

**Indicator:** **More plan members participating in annual sessions**
**Percentage of members making an active investment decision is increasing**

## 8.0 Issues

The GMPP was introduced in 1989 to provide a pension plan for part time employees and full time employees of public sector employers who were ineligible to participate in the full time plans. It is a capital accumulation plan where employee contributions together with the employer match are deposited to individual accounts. The employee has the option to allocate those contributions to a variety of investment vehicles including a balanced fund, an equity fund, a bond fund, a global fund and guaranteed investment accounts with various maturities. The amount that will accumulate to the employee's credit and that will be available to provide income at retirement is dependent on the investment option selected by the employee.

With the assistance of the plan custodian, employees are provided with the tools to evaluate their risk tolerances and to assist with selecting the best investment vehicle to meet their needs. Many employees seem content to let their funds remain in the lower return guaranteed option. While

this may be a suitable investment for certain employees, it is evident from the asset mix of the GMPP portfolio that many employees are not seeking advice with respect to their accounts.

The Committee has endeavoured to engage employees in the process by offering annual educational seminars across the province. Participation in these sessions has been low, but increasing slightly year over year. The main objective is to increase attendance at these seminars, with a long term view to improving investment selection. At some point, if employee interest in their plan does not improve, the Committee may have to look at alternative measures to ensure that the funds are invested in a prudent manner.

**Objectives:**

1. By December 31, 2007, the GMPP committee will have evaluated participation in the seminars to determine level of success and future course of action.

   **Measure:** Rate of participation in educational seminars in 2007
   **Indicator:** Increase participation by 50% of the previous years attendance

2. By December 31, 2007, the GMPP committee will have recommended a course of action if plan members do not take an active role in the investment of their funds.

   **Measure:** Rate of investment selection by members stays at 2006 levels
   **Indicator:** More that 50% of plan members' contributions are invested in guaranteed investment accounts.